

Today, Representative Pete Stark sent the following letter to Thomas Scully, the Administrator for the Centers for Medicare and Medicaid Services at the US Department of Health and Human Services: December 4, 2002

The Honorable Thomas Scully
Administrator
Centers for Medicare and Medicaid Services
U.S. Department of Health and Human Services
Hubert Humphrey Building, Room 314-G
200 Independence Avenue, SW
Washington, D.C. 20201

Dear Administrator Scully,

I applaud your action yesterday to standardize payments for the 400 prescription drugs currently covered by Medicare. Under the current payment system, charges to Medicare and its beneficiaries are based on artificially inflated "average wholesale prices" (AWP) reported by drug manufacturers. The resulting overpayments are significant and well documented. Your implementation of standardized payments is a modest improvement. I encourage you to take any additional steps within your authority to ensure that Medicare payments for these medicines are reasonable.

Toward that end, I hope you will work with other agencies to eliminate abuses of the current AWP payment system. The Office of the Inspector General recently issued draft compliance program guidance to pharmaceutical companies that characterized their manipulation of the average wholesale price as potentially fraudulent behavior. I trust that you will assist the Inspector General in ensuring that any and all fraudulent behavior, including AWP manipulation, is fully investigated and prosecuted.

Of course, the ultimate solution to this problem requires legislation. I regret that Congress, despite knowing about these overcharges for years, has not acted to end this fraudulent scheme. As the author of the only bill to address the problem, I hope that we can work together in the near future to move a bill through Congress and to the President's desk.

Sincerely,

Pete Stark
Ranking Member
Committee on Ways and Means
Subcommittee on Health

cc: The Honorable Tommy Thompson